

DECEMBER 1989

ALTERNATE DISTRIBUTION CHANNEL

QUALIFICATION AND EVALUATION

December 11, 1989

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Introduction





I. Introduction

A

Research Objectives

Litton Computer Services (LCS) is a leading provider of state-of-the-art data processing and network services. These services are currently marketed by a direct sales force out of seven sales offices. The revenue base is primarily concentrated near these seven offices.

LCS desires to expand its geographic sales coverage utilizing alternate distribution channels (ADC) rather than expand the current one. Implementation responsibility has been assigned to Joe M. Scott, National Marketing Manager. Building on a January 1989 INPUT study for LCS, Mr. Scott has identified eight channels for further evaluation. Each channel has numerous candidates, and direct LCS contact would require a long period of time, significant travel expenses, and probably a high rejection ratio for the effort invested. LCS concluded that an independent market research firm could pre-qualify ADCs in order to leverage direct selling efforts and accelerate income streams from these sources.

INPUT is a well-recognized international market research and consulting firm that offers a variety of ongoing research programs to vendors and users of information systems. INPUT's resources include a comprehensive data base of its own proprietary research and a team of experienced interviewers and analysts who conduct frequent, comprehensive, and confidential interviews. Among the professional staff are senior individuals with extensive vendor research experience and industry contacts in areas of specific interest to Litton Computer Services.

Research objectives for this project were to provide LCS with fact-based assessment of alternate channel choices, pre-qualification of them and recommendations for proceeding. Benefits to LCS include:

- A significant reduction in the calendar time required for LCS to develop a sharp focus on ADC priorities.
- More efficient and productive use of the National Marketing Manager's time and travel budget for on-site ADC meetings (less exploring and more targeted efforts).
- Earlier generation of ADC revenue streams and profits.

While no attempt was made to qualify the channels as end users of third-party processing services, the issue naturally surfaced on occasion and the results are documented in this report.

B**Scope**

This project qualifies the domestic U.S. operations of the following eight ADCs:

- Software Products Companies
- Accounting/Management Consulting Firms
- Merger and Acquisition Firms
- LBO Specialists
- Corporate Consultants
- Professional Services/Systems Integration Firms
- Telecom Companies
- Ex-IBM Executives

LCS services considered were processing capabilities including a nationwide network and operations support.

Focus was on commercial markets only; no federal markets were addressed.



C Methodology

- By virtue of earlier work on this subject, INPUT was very familiar with LCS and its competitors. This was supplemented by attending the LCS San Jose Outsourcing seminar.
- INPUT senior staff met to develop evaluation criteria and prioritize the ADCs.
- INPUT and the LCS National Marketing Manager agreed on a final list of ADC evaluation/qualification criteria, eight ADCs for study, and identified specific organizations and target organization levels to be surveyed for each ADC.
- INPUT developed and reviewed the primary questionnaire with LCS. A special questionnaire was developed for the ex-IBM executive channel.
- INPUT performed three pilot test interviews and reported findings to LCS.
- Utilizing senior INPUT consultants, an average of five interviews for each ADC were completed by telephone. LCS was not revealed as the sponsor. Specific companies contacted and the organization level are shown in the report on each channel. Most interviewees requested that their responses be kept confidential. As a result, specific interview information cannot be reported.
- A mid-term review meeting was held with Joe Scott in San Francisco on October 10th. Preliminary results were discussed for several channels, and the questionnaire introduction was modified to be more "benefit-oriented" to the interviewee.
- Interview results were analyzed by senior INPUT staff, and recommendations were developed regarding the best ADCs based on their strengths and weaknesses. Other observations regarding channel trends and tactics for pursuit were made.



Executive Overview and Recommendations



A. Channel evaluation criteria

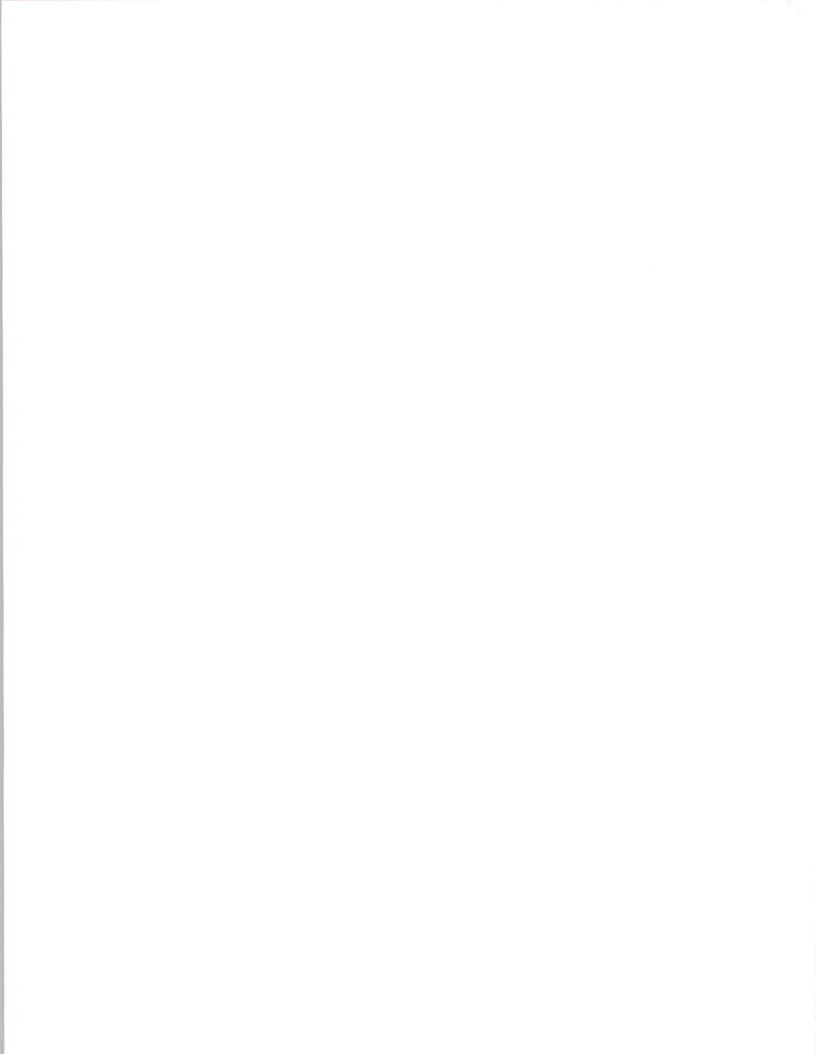
- 1. Channel benefit:** What is the potential for LCS to benefit the channel's business, expand offerings, satisfy their customer needs?
- 2. Timing readiness:** Is a channel ready to produce results for LCS now or must it mature or some change take place?
- 3. Lead quantity:** What is the potential of a channel to generate high volumes of leads?
- 4. Level of interest:** What is the ability of a channel to understand or relate to the processing alliance proposal concept? How willing are they to discuss possibilities?
- 5. Aggressive role:** How aggressive is a channel likely to be in sourcing opportunities for LCS?

B. Summary Channel Analysis

Evaluation Criteria*

Channel	Channel Benefit	Timing Readiness	Lead Quantity	Level of Interest	Aggressive Role	Rating Total
Software product companies	3	3	3	3	3	15
Accounting/ Consulting Firms (Big 8, regional)	3	3	3	1	2	12
M&A firms	0	3	1	0	0	4
LBO specialists	2	1	1	0	0	4
Corporate consultants	2	3	2	2	2	11
Professional services firms	3	3	3	3	3	15
Telecom companies	2	0	1	1	1	5
Ex-IBM sales executives	2	3	3	3	3	14

*(High =3, medium = 2, low =1, none = 0)
Maximum score = 15

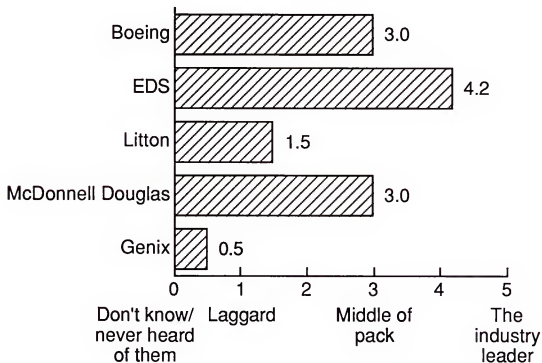


C. Channel Recommendations

1. Leading opportunities (rating):
 - Software product companies (15)
 - Professional services/SI firms (15)
 - Ex-IBM sales executives (14)
2. Worth pursuing (rating):
 - Accounting/consulting firms (12)
 - Corporate consultants (11)
3. Monitor for leads:
 - M&A firms (4)
 - LBO specialists (4)
4. Wait until they are ready:
 - Telecoms (5)

D. Image/Awareness Findings and Recommendations

1. Image and reputation survey response

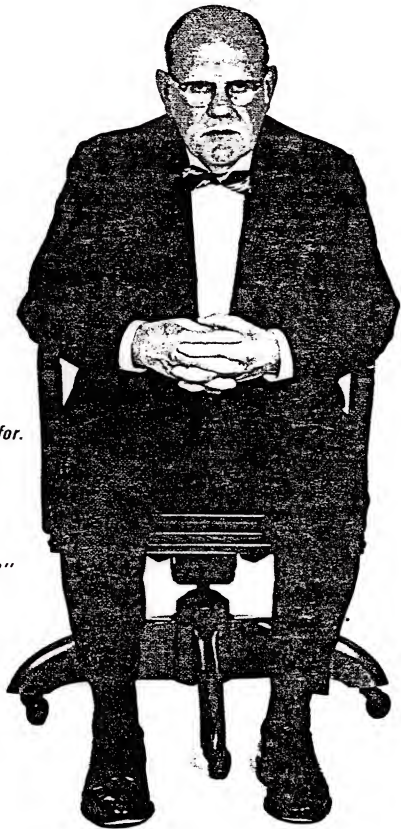


D. Image/Awareness Findings and Recommendations (cont.)

2. "Don't know them" responses

	Total (Percent)
Boeing	13
EDS	4
Litton	42
McDonnell Douglas	4
Genix	88

*"I don't know who you are.
I don't know your company.
I don't know your company's product.
I don't know what your company stands for.
I don't know your company's customers.
I don't know your company's record.
I don't know your company's reputation.
Now—what was it you wanted to sell me?"*



MORAL: Sales start **before** your salesman calls—with business publication advertising.

McGRAW-HILL MAGAZINES

D. Image/Awareness Findings and Recommendations (cont.)

3. Recommendation: LCS needs to strengthen its market awareness through promotional programs

- For those who know LCS, the image is very positive
- "Awareness" is what is lacking
- Advertising is expensive and takes a long time to produce results (consider testimonials only)
- INPUT recommends:
 - Frequent the "watering holes" of leading channels (e.g., ADAPSO)
 - Initiate an aggressive PR program to place a steady stream of user stories in the trade press (est. \$10K/mo.)
 - A monthly outsourcing newsletter targeting both channels and end users (to cover the "lighting strikes")

E. LCS Benefits From This Project

1. Reduced calendar time to sharpen focus on channel priorities
2. Increased efficiency from the subsequent marketing and selling effort
 - Opportunities are prioritized
 - Weak channels can still help identify prospects
 - Three "hot" prospects identified
3. Earlier LCS revenue and profit streams should result
4. Uncovered significant market awareness problem and identified low-cost recommended solution



Channel Analyses



III. Channel Analyses

A

Software Product Companies

1. Recommendation

Pursue alliances with software products companies to handle both their internal processing needs and to combine their offerings with LCS offerings to create new services and expand current markets.

Software products companies currently utilize outside processing services vendors and client equipment in addition to their own internal processing capabilities for product development.

2. Channel Strength

Most of these firms are familiar with the concept of strategic alliances between companies like theirs and computer services companies.

Software products companies see an opportunity to penetrate new markets and further penetrate existing markets by forming alliances with companies that have experience in those markets.

3. Channel Weaknesses

Ratings on perceived image and reputation were low for Litton Computer Services compared to other computer processing services vendors. The only company that rated lower was Genix Enterprises; no one was familiar with the company.

Some of these companies may be reluctant to form relationships with processing services vendors, because they perceive processing services as a mature market and on its way out.

Some interviewees reported that they would lose account control in an alliance situation. An important part of their product offerings is the support services provided along with them.

4. Tactics for Pursuit

- Educate software products companies in the area of outsourcing, so that they realize it is a fast-growing, new market.
- Ensure that software protection and quality support services will be provided to end users of combined services.
- Offer a significant financial benefit to the software products company to form the alliance.
- Focus on application software product companies more than system utility/data center management software firms, because the latter products seldom require increased end user compute power.
- Contact the V.P. Marketing, V.P. Strategic Alliances, V.P. Corporate Planning, or V.P. Customer Services. Generally, the V.P. of Corporate Planning makes recommendations regarding alliances to the V.P. Strategic Alliances or the President.

5. Other Observations

These companies are not limited to the IBM environment, but also develop products for DEC, Tandem, Amdahl, Cray, and UNIX-based systems. About half of these companies have existing relationships with hardware manufacturers including IBM, Cray, and Amdahl for project development, running large programs, and running tests.

6. Companies and Organization Level Interviewed:

- Cincom (V.P. Corporate Planning)
- Information Builders (Manager, Strategic Alliances)
- MacNeal-Schwendler (V.P. Marketing)
- Management Science America (Director, Business Partners)
- Oracle (Director, Corporate Communications)
- System Center Inc. (V.P., Customer Services)

B**Accounting/Management Consulting Firms****1. Recommendation**

Pursue alliances with accounting/management consulting firms for the express purpose of combining the management consulting firm's current offerings with processing services so that each might provide additional or new services to their customers.

Accounting/management consulting firms are not interested in establishing alliances for their own processing needs, e.g. for product development, because they do not have capacity problems. Generally, they utilize their clients' computer systems for software development projects, and it is here that LCS opportunities exist. Only Andersen Consulting has a substantial internal processing capability for internal and external use. Perhaps their success can be touted to others as a model to be emulated and LCS could propose a processing alliance so they could avoid additional internal investment.

2. Channel Strengths

Most of these firms are familiar with the concept of strategic alliances between companies like theirs and computer services companies.

Often these firms have early knowledge of major DP changes in their client organizations.

3. Channel Weaknesses

These companies perceive that a loss of flexibility, objectivity, and independence comes with alliances. In addition, they believe alliances might present a conflict of interest.

Ratings on perceived image and reputation were low for Litton Computer Services compared to other computer processing services vendors. The only company that rated lower was Genix Enterprises; no one was familiar with the company.

The smaller regional audit/consulting firms do not view themselves as big enough to "play in the Big 8 league" and show less initial interest in processing alliances.

4. Tactics for Pursuit

- Offer a direct financial benefit to the accounting/management consulting firm for arranging that a customer utilize LCS' outsourcing or other processing service.
- Allow as much flexibility in the agreement as possible. For example, the agreement would be on a situation or project basis, and only if it made sense for the customer in that particular case.
- Stress the pros in establishing alliances, which include getting solutions up more quickly, one-stop shopping for the customer, and having a reliable source for processing.

- Contact the partner responsible for Management Services, Management Consulting, or Information Systems Consulting, unless the company has someone responsible for establishing alliances.

5. Other Observations

Only half of these companies report using IBM as their primary computing environment. Most also use other manufacturers' systems, including DEC, Unisys, Hewlett-Packard and others. In fact, most companies utilize their clients' computer systems extensively and, therefore, work on a wide range of computer systems. This explains why they do not perceive a problem in meeting customer commitments due to a lack of computer resources.

6. Companies Interviewed*

- Ernst & Young (National Director Information Systems Consulting)
- Kenneth Lavanthal & Co. (Partner in charge of Management Services)
- Laventhol & Horwath (National Director of Information Systems Consulting, senior level D.P., senior level marketing)
- McGladrey & Pullen (Partner, Management Consulting)
- Pannell Kerr Forster (Senior Manager, Management Advisory Service)
- Price Waterhouse (Regional Information Technology Partner)

* Andersen Consulting was not interviewed due to its own substantial internal processing capability.

C

Merger and Acquisition Firms

1. Recommendation

Do not pursue merger and acquisition firms as candidates for strategic alliances. These companies report that they do not need any mainframe computer processing capabilities for either their internal operations or to facilitate mergers and acquisitions. They are primarily deal makers and quickly lose interest in the subject organizations after the ink dries...

Tracking the companies involved in M & A deals, however, can be a clever source of leads to pursue.

2. Companies Interviewed

- Bear Sterns (Corporate Finance, referred by COB)
- Brentwood Associates (General Partner)
- Solomon Brothers (V.P.)
- T.A. Associates (Associate)
- Welsh, Carson, Anderson & Stowe (V.P. Finance)

D**LBO Specialists****1. Recommendation**

Pursue LBO specialists as a source of prospects ('good place to monitor')—but do not expect them to actively perform as a productive marketing channel to sell outsourcing or computer processing resources to companies involved in the leveraged buyouts.

2. Channel Strengths

LBO specialists facilitate major deals with major companies. These specialists know the infrastructure of the organizations involved in leveraged buyouts and sometimes know if computing resources are an issue. In addition, often they have a long-term vested interest in the successful dismemberment and "packaging assets for sale" that typically follows an LBO.

3. Channel Weaknesses

These LBO specialists do not readily see the benefits of processing alliances and would, therefore, need to be educated regarding the benefits for themselves.

Principals in these firms are very difficult to contact.

Based on the currently negative trend of events, LBOs may quickly become a dying breed. Both public and private opinion is rapidly turning against junk bonds and some of the deal makers who create them.

4. Tactics for Pursuit

- Educate companies that specialize in LBOs on the benefits of outsourcing (for their clients) and the benefits (for them) in forming alliances with outsourcing vendors.
- If direct pursuit is not productive due to the fact that these companies do not see a need to form an alliance with an outsourcing vendor, target the companies involved in the deals. Track companies that are involved in any LBO deals and written up in the press. Contact them directly.

5. Other Observations

These companies would definitely not be candidates for outsourcing services themselves, since they generally consist of a small group of people that does not require a significant amount of computer processing.

6. Companies Interviewed

- Carlyle Group (V.P.)
- Castle-Harlan (Project Manager)
- Kellet Group (Office Manager, speaking competently for the organization)

E

Corporate Consultants

1. Recommendation

Utilize corporate consultants, companies that provide general corporate consulting, as a marketing channel for computer processing resources or outsourcing. Corporate consultants provide consulting in all aspects of corporate business. However, they are generally more strategically oriented than technically oriented. An alliance with a computer processing vendor would enable a consultant to take its clients from the strategy phase through the implementation phase.

2. Channel Strengths

Computer resources are critical to their clients' businesses and will be in the future, and the corporate consultants interviewed reported incidences of clients not having the computer resources required for certain projects. They also reported that their clients' primary computing environment was IBM.

Mainframe processing requirements are generally handled internally which involves purchasing additional hardware when needed. If given the alternative to outsource at a cost savings, these clients might consider it. Currently, they are more likely to go outside their organization to access telecommunications networks than to access computer systems.

Consultants interviewed were familiar with alliances between corporate consultants or professional services firms and computer services vendors. Some consulting firms are considering an alliance with a computer services vendor, because they want to provide technical as well as strategic consulting and their clients are looking for one-stop shopping.

Consultants would consider combining services through an alliance, especially with a direct financial benefit attached. They see alliances as a way to provide clients what they need as well as improve their own business.

These organizations consistently have strong high-level client relationships which could be leveraged in closing processing business.

3. Channel Weaknesses

Although these companies are interested in offering a combined service through an alliance arrangement, they are more interested in obtaining professional services than processing services.

These consultants also reported that if there was an alliance, there would be a perceived loss of objectivity by their clients, for which they would have to be compensated. They also believe there would be a loss of control.

Some consultants have not considered establishing agreements with processing vendors, because their clients are large and generally handle their own processing through an internal MIS group.

4. Tactics for Pursuit

- Educate these companies on the advantages of forming an alliance with an outsourcing vendor. Stress the complementary personnel skill set that could result from an alliance between a general management consulting firm and a computer processing firm.
- These companies would expect that one of the allied firms would act as the prime contractor, while the other would act as the subcontractor. The client would only be billed by one party. LCS could defuse the control issue by pursuing the business in a subcontractor role.
- Be prepared to take a year or more to establish an agreement with a consulting firm.

5. Companies Interviewed

- Bain (Executive V.P., Consulting)
- MAC Group (V.P.)
- A.T. Kearney (Principal Management Consultant)
- Arthur D. Little (Chairman)

F**Professional Services Firms****1. Recommendation**

Pursue alliances with professional services companies. Professional services firms are most interested in establishing alliances with outsourcing vendors and traditional processing services companies to create a service which combines their offerings with those of the processing services vendor.

Professional services firms would make an excellent distribution channel for selling outsourcing and other processing services to their clients.

2. Channel Strengths

Often, professional services companies utilize their clients equipment in addition to internal resources for project development. Professional services companies that reported capacity problems also reported relying heavily on their clients equipment. If the client organization does not have the computer capacity required, there may be delays in project development.

3. Channel Weaknesses

Professional services companies generally develop custom software for a variety of computer systems, not just IBM.

Some of the professional services companies interviewed already have relationships established with IBM and other national and regional processing services vendors for excess computing capacity.

Some professional services firms have not established alliances in the past because they did not believe the deal was lucrative enough or made sense for them in the long run.

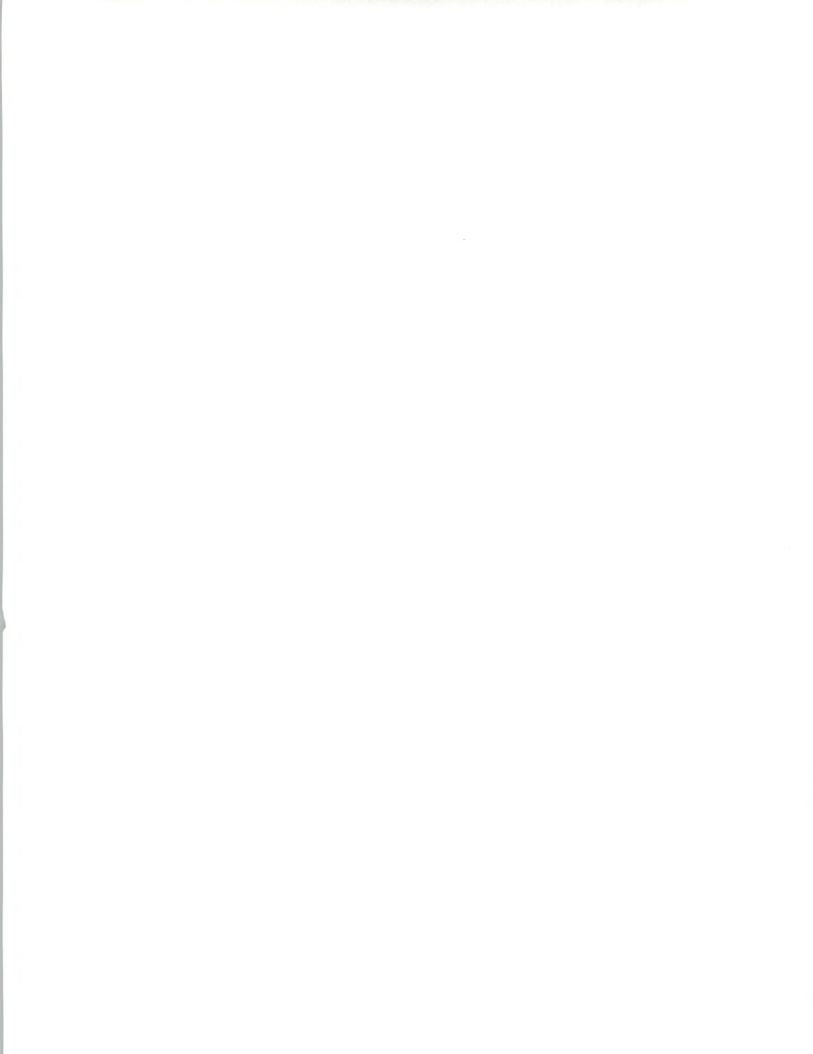
Professional services vendors express concerns regarding establishing alliances, which include "the fear of the unknown" and loss of control.

4. Tactics for Pursuit

- Show professional services firms how lucrative outsourcing can be and how combining services with a processing services vendor could generate more revenue, from a new and additional revenue source.
- Stress benefits of establishing alliances with outsourcing or processing vendors: reliability, operating systems support, unlimited CPU capacity, and more.

5. Other Observations

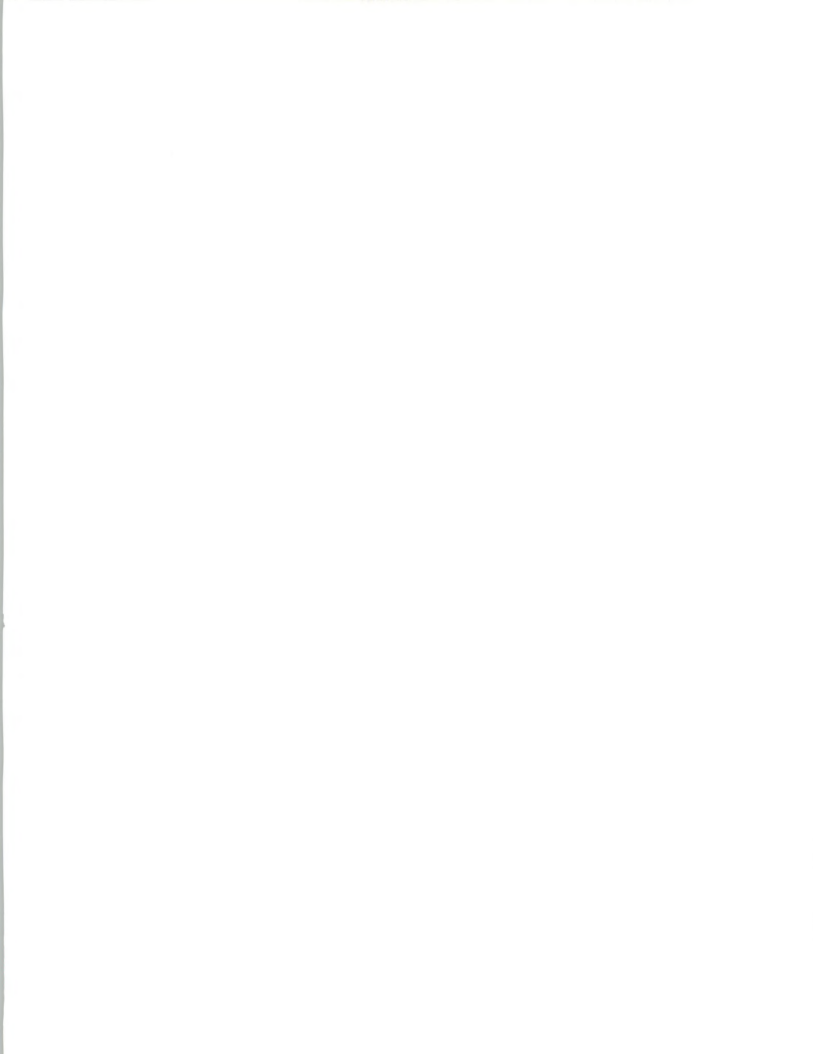
Even in the cases when projects have been delayed, professional services companies interviewed reported that they hadn't considered establishing alliances to obtain more



computing power. They seem to view the problem as the client's problem, not theirs. By utilizing a reliable cost-effective processing service, professional services firms could optimize the scheduling and utilization of key personnel resources—with direct bottom line impact.

6. Companies Interviewed

- American Management Systems (Vice Chairman)
- Analysts International (V.P. Marketing)
- Continuum (V.P. Marketing)
- Information Systems Inc. (President)
- Keane Inc. (V.P. Marketing)



G

Telecom Companies

1. Recommendation

Pursue alliances with telecom companies, including the Regional Bell Operating Companies (RBOCs), to provide outsourcing for the unregulated side of their businesses, as well as to provide complementary services to a combined customer base.

Telecom companies are more likely to outsource the unregulated side of their businesses than the regulated (telephone company) side due to control issues.

2. Channel Strengths

Due to the price competition involved in both sides of their businesses, telecom companies are likely to outsource internal data processing operations of the unregulated side of their businesses if substantial cost savings can be gained.

Telecom companies have already begun to establish relationships with information services companies for at least two reasons. First, telecom companies lack the experience and expertise required to penetrate certain vertical markets, e.g., financial services. By teaming with a company that is already established in their markets of interest, they can expand their customer base.

Secondly, telecom companies recognize the potential of introducing new products and services through joint marketing agreements. Many telecom companies are becoming entrepreneurial in nature and open to new ideas. They plan to market their products and services aggressively in the future.

3. Channel Weaknesses

Telecom companies are not easy to partner with due to regulatory issues set forth by federal courts and the Federal Communications Commission (FCC). They themselves are confused over regulatory boundaries, causing uncertainty over the pursuit of new opportunities, including alliances. In addition, there may be cultural frustrations for LCS due to the monopolistic origin of these companies. As a group, phone companies need more time for regulatory issues to clear and unregulated business to mature to the point where they offer good opportunities to LCS—give them two to three years.

4. Tactics for Pursuit

- Concentrate on the unregulated side of telecom companies for the outsourcing of internal data processing activities. Outline the substantial cost savings that can be realized with outsourcing and plan to educate these companies on the concept of outsourcing.
- In the area of providing some type of joint service to customers, Contact Director of Business Development, Strategic Planning or Strategic Alliances within the telecom

companies. These people are interested in developing new lines of business and are open to alliances.

- Have specific examples of the types of products and services that could be marketed as the result of an alliance between a computer processing company and a telecom company. Although the telecom companies are open to new ideas, they haven't thought many through, partly due to the legal issues involved.

5. Other Observations

Bell Atlantic recently entered into an agreement with American Management Systems, which will involve the area of systems integration. The company filed a petition with the FCC requesting that they be allowed to do business with a company that is involved in computer processing.

Most of the telecom companies INPUT interviewed have legal experts available, often in-house, who are used to review any possible business opportunities in the area of information services.

6. Companies Interviewed

- Ameritech (Manager, Business Development)
- Bell Atlantic (Executive Director, Strategic Planning)
- MCI (Manager, Business Development)
- Southwestern Bell (Associate Director, Corporate Planning)
- U.S. West (Director, Strategic Alliances)

H

Ex-IBM Sales Executives

1. Recommendation

Utilize ex-IBM executives as a marketing channel to sell IBM mainframe processing resources. Former IBM sales executives would be effective marketers of such services due to their high-level relationships and attendant skills.

2. Channel Strengths

Former IBM sales executives have established relationships at the V.P. Information Systems level and higher.

Former IBM sales executives have personal networks that could be utilized to identify other former IBM executives.

Ex-IBM sales executives interviewed by INPUT appeared interested in the prospect of selling IBM mainframe processing resources.

IBM sales executives have experience handling national sales accounts and some have expertise within specific industries.

3. Channel Weaknesses

Litton Computer Services was rated low in terms of image and reputation compared to other processing services vendors, including IBM. To some extent, the low ratings indicated that Litton is not as well known as the other vendors, rather than known for poor performance.

Many ex-IBM executives that were part of the company's early retirement program have already found new jobs.

4. Tactics for Pursuit

- Implement a geographic territory approach, rather than an industry approach, unless the sales executive has some expertise within a specific industry. A geographic approach would incorporate home office and all other locations, including international, i.e. national account approach.
- If a sales executive has expertise within a specific industry or if an application is developed for a specific industry, an industry approach can be used.
- To identify former IBM sales executives, utilize any networking contacts of those IBM sales executives that are already known. Also, utilize ex-IBM personnel executives to identify sales executives.

- These executives indicated a preference for full-time positions with a base salary in the \$100K to \$150K range.
- Provide these sales executives with the type of full sales support team to which they are accustomed.
- Expect a long sales cycle (more than one year in length).

5. Observations

Ex-IBM executives are interested in a base salary and low commission compensation structure and require salaries in the \$100K to \$150K range. In addition, they require a full sales support team to complete the sales process.

6. Interviews

Confidential commitments prevent disclosing the names of the individuals surveyed. They included current IBM account executives (late in their careers) as well as former ones.



Appendix: Primary Interview Questionnaire

ALTERNATE CHANNEL QUALIFICATION QUESTIONNAIRE

Channel: _____

Organization: _____

Blind Approach (when necessary)

Ask for secretary to president...

"This is _____ (name) _____ from INPUT, an international consulting firm. I'm calling to ask your help in directing me to the chief marketing executive of _____ (company name) _____.

[If asked "why?"]...we are researching how industry leading firms like _____ (organization name) _____ solve certain business problems and have several questions to ask him/her.

Can you connect me to _____ (name) _____ now?

For Marketing VP's secretary....

This is _____ (name) _____ from INPUT, an international consulting firm. I'm calling to ask for (Marketing VP's name) help in research how industry leading firms like _____ (organization name) _____ use strategic alliances to solve certain business problems and have several questions to ask him/her. Is (Mr./Ms. _____) available now?

When would be a good time to call back?

Day/Date _____

at _____ (local time)

_____ (Calif. time)

Thank you, I'll call back then.

INTRODUCTION:

Hello, this is _____ (name) _____ from INPUT, an international information services consulting firm. We are researching the use of strategic alliances for mainframe computer processing in unique situations like _____ (describe interviewee's business). Here we are talking about access to state of the art IBM hardware, national data network, extensive software libraries and skilled DP professionals. Often these computer resources are critical to successful marketing or completion of the (interviewee undertaking) and they are typically not a part of _____ (interviewee's type of firm) _____ business offering. Business Week and The Wall Street Journal have highlighted such alliances giving companies like _____ (interviewee's) the opportunity to significantly broaden their client services and increase revenues without investment!

I have a short series of marketing related questions that can be handled right here on the phone. Can you assist this research by answering these questions?

[If no] Can you suggest someone else who might be able to answer them?

Ref: _____

Phone: _____

[If yes] These questions will take about 10 minutes to complete, is this a good time for you?

[If not] reschedule for _____ day/date

at _____ local time _____ Calif time.

1. To your knowledge has a sales, or product development or other customer commitment ever been delayed due to a lack of computer resources.
_____ Yes _____ No
2. Are the availability of computer resources critical to product development or your ability to meet commitments to your customers?
_____ Yes _____ No
3. Do you anticipate the need for these types of resources in the future?
_____ Yes _____ No

Why _____

Page No. 2

4. Are you aware of any alliance relationships in your industry between companies and computing service vendors?

☐ Yes ☐ No

Which ones? _____

5. Do you use IBM as your primary computing environment?

☐ Yes ☐ No ☐ Don't know

Important Other environments?

[If No to Question #3 or #5 - That completes our work - Thank you for your time and help in the survey -good bye]

6. When such needs for IBM mainframe computing resources arise, how are they currently satisfied? Do you tap internal sources or outside vendors?

6a. Internal _____

6b. Outside _____

6c. Both _____

- 6d. Do you consider any of your relationships with outside processing vendors to be a formal alliance going beyond normal customer/vendor relationship?

☐ Yes ☐ No

Which ones? _____

Page No. 3

- 6e. Has your company considered establishing an alliance relationship with a processing services vendor to address your Data Processing requirements or those of your customers?

_____ Yes _____ No

Why? _____

[If no alliances - go to Q#9]

[If alliances]

7. Name of Partner? _____

7a. How long has the relationship existed? _____ years

7b. What was the selection criteria? _____

7c. How does the relationship work (case example?)

7d. What are the compensation terms for the processing vendor?

7e. Are you compensated by the processing vendor?

_____ Yes _____ No If yes,

How? _____

Page No. 4

7f. How has it worked out for you so far - what are the pros and cons?

Pros _____

Cons _____

8. Are you interested in additional IBM mainframe processing alliance partners?

_____ Yes _____ No

Why? _____

[Go to Question #12]

9. Would you consider it attractive to combine processing services with your current offerings using an alliance with outside vendors in the future?

_____ Yes _____ No

Why? _____

10. [If no] Would a direct financial benefit, e.g. a revenue stream from the processing partner to you, be sufficient to change your answer to yes?

_____ Yes _____ No

11. What pros and cons do you see in having such alliances for processing resources?

11a: Pros _____

Page No. 5

11b: Cons _____

12. This next question is a measure of image and reputation. I will read a list of names of leading IBM mainframe processing vendors - for each company please rate your impression on a scale of 1 to 5 where 5 means "the industry leader", 1 means "lagging behind" and 3 means "in the middle of the pack." I'll read the whole list and then ask you for your individual responses:

Don't Know

Boeing Computer Services	0	1	2	3	4	5
EDS	0	1	2	3	4	5
Litton Computer Services	0	1	2	3	4	5
McDonnell Douglas Information Systems	0	1	2	3	4	5
Genix Enterprises	0	1	2	3	4	5

13. Are there any other vendors you would consider that I haven't mentioned?
- _____

14. [If alliances or interest in them exist]

Who are, or would be, the decision makers in your organization to evaluate, negotiate and approve such alliances?

Title _____

Title _____

Title _____

That concludes the interview; are there any questions I can answer for you?
Thank you very much for your help!



Appendix: Ex-IBM Sales Executive Interview Questionnaire

QUESTIONNAIRE FOR EX-IBM SALES/MANAGEMENT PEOPLE

INTRODUCTION

This is (name) from INPUT, an international information services consulting firm. We are researching distribution channels for IBM mainframe processing services and have a hypothesis to test. You've been referred to me by _____ as an excellent source for our study.

Would you be able to answer several questions we can handle here on the phone? Is this a good time for you? (if NO, reschedule)

Rescheduled day/date _____

Local time _____ CA time _____

1. First I'd like to capture your impression of leading vendors of IBM mainframe processing services:

I will read a list of names of leading IBM mainframe processing vendors - for each company please rate your impression on a scale of 1 to 5 where 5 means "the industry leader", 1 means "lagging behind" and 3 means "in the middle of the pack." I'll read the whole list and then ask you for your individual responses:

	<u>Laggard</u>		<u>Middle</u>		<u>Leader</u>
Boeing Computer Services	1	2	3	4	5
EDS	1	2	3	4	5
Litton Computer Services	1	2	3	4	5
McDonnell Douglas Information Systems	1	2	3	4	5
Genix Enterprises	1	2	3	4	5

2. Given a growing outsourcing market for IBM mainframe processing resources, do you believe former IBM sales executives would be effective marketeers of such services using their personal networks and career long relationships?

2a. Yes _____ No _____ Maybe _____

Why? _____

- 2b. Would former IBM sales executives be likely to have good relationships above the MIS function?

Yes _____ No _____ Maybe _____

Comment? _____

3. Are there enough former sales executives to form "franchise territories" and cover the major domestic U.S. Markets?

Yes _____ No _____

4. How would you structure such a job?

- 4a. Is geographic or industry franchise the best approach? Why?

Geographic: _____

Industry: _____

- 4b. How much time would you be interested in spending?

- 4c. Compensation - highly leveraged (no base but a high commission) or not (base salary and low commission?)

- 4d. What annual income target would be necessary to attract good people?

That completes our work - thanks very much for your help.

